China Fire Safety Enterprise Group Holdings Limited

中國消防企業集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8201

INTERIM REPORT 2007

* For identification purposes only

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This report, for which the directors (the "Directors") of China Fire Safety Enterprise Group Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

– Turnover of the Group for the six months and three months ended 30 June 2007 grew 17% and 59% to RMB515 million and RMB317 million respectively.

– Profit of the Group for the six months and three months ended 30 June 2007 grew 36% and 146% to RMB94 million and RMB68 million respectively.

– Basic earnings per share for the six months and three months ended 30 June 2007 rose 25% and 134% to 3.41 RMB cents and 2.41 RMB cents respectively.

– The Board does not recommend the payment of a dividend for the six months ended 30 June 2007.

RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months and three months ended 30 June 2007, together with the comparative figures for the corresponding periods in 2006, as follows:

CONSOLIDATED INCOME STATEMENT

		(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
		2007	2006	**2007**	2006
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover	2	**515,316**	440,144	**317,135**	200,038
Cost of sales		**(356,290)**	(312,903)	**(217,362)**	(141,351)
Gross Profit		**159,026**	127,241	**99,773**	58,687
Other income	3	**14,583**	5,745	**12,241**	3,914
Distribution costs		**(10,638)**	(9,472)	**(5,574)**	(6,977)
Administrative expenses		**(37,159)**	(27,659)	**(19,186)**	(13,965)
Finance costs		**(2,160)**	(1,083)	**(1,187)**	(636)
Profit before taxation		**123,652**	94,772	**86,067**	41,023
Taxation	4	**(29,260)**	(25,250)	**(18,165)**	(13,386)
Profit for the period	5	**94,392**	69,522	**67,902**	27,637
Attributable to:					
Equity holders of the Company		**97,463**	71,039	**68,773**	29,235
Minority interests		**(3,071)**	(1,517)	**(871)**	(1,598)
		94,392	69,522	**67,902**	27,637
Earnings per share (RMB cents)	7				
– Basic		**3.41**	2.73	**2.41**	1.03
– Diluted		**3.41**	2.71	**2.40**	1.03

CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) At 30 June 2007 *RMB'000*	(Audited) At 31 December 2006 *RMB'000*
Non-current assets			
Property, plant and equipment		**103,827**	116,899
Prepaid lease payments		**58,831**	59,092
Investment properties		**22,359**	22,359
Construction in progress		**13,472**	–
Goodwill		**60,271**	59,207
Development costs		**1,426**	100
Deferred tax assets		**4,602**	4,602
		264,788	262,259
Current assets			
Inventories		**91,568**	63,784
Retention receivables		**8,677**	9,264
Amounts due from contract customers		**116,041**	60,684
Trade receivables	8	**484,037**	382,731
Deposits, prepayments and other receivables		**44,180**	27,378
Prepaid lease payments		**521**	521
Pledged bank deposits		**26,443**	24,283
Bank balances and cash		**581,291**	642,278
		1,352,758	1,210,923
Current liabilities			
Trade and other payables	9	**235,431**	203,702
Amounts due to contract customers		**18,576**	13,676
Amount due to a jointly controlled entity		**–**	245
Amounts due to minority shareholders		**4,984**	3,483
Tax liabilities		**4,401**	7,660
Bank borrowings	10	**57,352**	51,484
Obligation under a finance lease – amount due within one year		**34**	34
		320,778	280,284
Net current assets		**1,031,980**	930,639
Total assets less current liabilities		**1,296,768**	1,192,898

	Note	(Unaudited) At 30 June 2007 *RMB'000*	(Audited) At 31 December 2006 *RMB'000*
Non-current liabilities			
Deferred tax liabilities		**15,712**	3,962
Obligation under a finance lease			
– amount due after one year		**83**	104
		15,795	4,066
Net assets		**1,280,973**	1,188,832
Capital and reserves			
Share capital		**30,168**	30,168
Reserves	11	**1,225,755**	1,132,430
Equity attributable to equity holders of the Company		**1,255,923**	1,162,598
Minority interests		**25,050**	26,234
Total equity		**1,280,973**	1,188,832

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited) For the six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Total equity at 1 January	**1,188,832**	833,644
Exchange differences arising on translation of foreign operations recognised directly in equity	**(4,101)**	(44)
Profit for the period	**94,392**	69,522
Issue of new shares	**–**	281,438
Dividend paid	**–**	(38,464)
Contributions by minority shareholders	**598**	–
Reduction of minority interests on disposal of subsidiaries	**1,252**	–
Total equity at 30 June	**1,280,973**	1,146,096

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) For the six months ended 30 June 2007 *RMB'000*	2006 *RMB'000*
Net cash used in operating activities	**(43,809)**	(92,586)
Net cash used in investing activities	**(21,623)**	(6,514)
Net cash from financing activities	**7,709**	266,439
Net (decrease) increase in cash and cash equivalents	**(57,723)**	167,339
Cash and cash equivalent at 1 January	**634,765**	410,992
Exchange difference	**(3,022)**	(45)
Cash and cash equivalent at 30 June	**574,020**	578,286
Cash and cash equivalents at the end of the period, representing:		
Bank balances and cash	**581,291**	587,103
Bank overdraft	**(7,271)**	(8,817)
	574,020	578,286

Note:

1. **Basis of presentation**

   The Group's unaudited consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The accounting policies adopted in preparing the results for the six months ended 30 June 2007 were consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

2. **Turnover**

   Turnover represents the aggregate of the value of installation contract work carried out, the sale proceeds of goods sold and income from provision of maintenance services during the period, and is analysed as follows:

	(Unaudited) For the six months ended 30 June		**(Unaudited) For the three months ended 30 June**	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from installation contracts	**206,313**	213,208	**107,425**	84,592
Sale of goods	**250,631**	187,605	**167,886**	96,663
Provision of maintenance services	**58,372**	39,331	**41,824**	18,783
	515,316	440,144	**317,135**	200,038

3. **Other income**

	(Unaudited) For the six months ended 30 June		**(Unaudited) For the three months ended 30 June**	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Interest income	**3,928**	4,652	**2,059**	3,443
Profit on disposal of subsidiaries	**9,357**	–	**9,357**	–
Others	**1,298**	1,093	**825**	471
	14,583	5,745	**12,241**	3,914

4. **Taxation**

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The charge comprises:				
Current tax				
PRC enterprise income tax	**17,510**	13,750	**12,100**	7,886
Deferred tax	**11,750**	11,500	**6,065**	5,500
	29,260	25,250	**18,165**	13,386

No provision for Hong Kong Profits Tax has been made as the Group has no income arises in or derived from Hong Kong. Income tax on profits arising from the PRC has been provided based on the prevailing tax rates applicable to the respective companies.

Subsidiaries of the Company, Clusafe Control Equipment Co., Ltd. and Fuzhou Wanyou Fire Equipment Co., Ltd. are entitled to the two year's exemption from income tax followed by three years of 50% tax reduction with effect from year 2002 and 2004 respectively.

Deferred taxation provided for the period mainly relates to the accounting difference between Hong Kong general accepted accounting principles and the PRC general accepted accounting principles on profit recognition of installation contracts.

5. **Profit for the period**

Profit for the period has been arrived at after charging:

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Depreciation:				
Property, plant and equipment	**7,433**	9,682	**3,422**	4,721
Amortisation of prepaid lease payment	**260**	260	**130**	130
Amortisation of development costs included in cost of sales	**12**	848	**6**	426
Allowance of bad and doubtful debts	**5,500**	–	**5,500**	–

6. **Dividends**

The Board does not recommend the payment of a dividend for the six months ended 30 June 2007 (2006: Nil).

7. **Earnings per share**

The calculation of the basic and diluted earnings per share is based on the following data:

	(Unaudited) For the six months ended 30 June		**(Unaudited) For the three months ended 30 June**	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Earnings for the purpose of basic and diluted earnings per share (profit attributable to equity holders of the Company)	**97,463**	71,039	**68,773**	29,235
	'000	*'000*	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,855,000**	2,606,613	**2,855,000**	2,834,692
Effect of dilutive potential ordinary shares: Share options	**4,867**	14,687	**5,636**	15,795
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,859,867**	2,621,300	**2,860,636**	2,850,487

8. Trade receivables

The credit periods allowed by the Group to its customers are normally 30-180 days.
The aged analysis of trade debtors are as follows:

	(Unaudited) At 30 June 2007 *RMB'000*	(Audited) At 31 December 2006 *RMB'000*
0-90 days	**193,877**	220,860
91-180 days	**63,166**	109,699
181-360 days	**207,375**	36,556
Over 360 days	**19,619**	15,616
	484,037	382,731

9. Trade and other payables

	(Unaudited) At 30 June 2007 *RMB'000*	(Audited) At 31 December 2006 *RMB'000*
Trade creditors	**151,421**	118,059
Accrued costs and charges	**41,480**	38,817
Receipts in advance	**32,944**	13,697
Value added tax, sales tax and other levies	**6,514**	13,437
Amount payable on acquisition of a leasehold land	**3,072**	19,692
	235,431	203,702

The aged analysis of trade creditors included in trade and other payables is as follows:

	(Unaudited) At 30 June 2007 *RMB'000*	(Audited) At 31 December 2006 *RMB'000*
Within 30 days	**32,431**	45,694
31-60 days	**21,525**	16,223
61-90 days	**11,135**	19,145
Over 90 days	**86,330**	36,997
	151,421	118,059

10. Bank borrowings

	(Unaudited) At 30 June 2007 *RMB'000*	(Audited) At 31 December 2006 *RMB'000*
Trust receipt loans *(Note a)*	–	2,751
Short term bank loans *(Note b)*	**50,081**	41,220
Bank overdrafts *(Note a)*	**7,271**	7,513
	57,352	51,484

All the above borrowings will be matured within one year.

Note a: The trust receipt loans and bank overdrafts are secured by the Group's bank deposits of approximately RMB24 million and/or certain personal assets and/or guarantee of a minority shareholder.

Note b: The short term loans are secured by certain leasehold land and buildings of the Group with carrying values of RMB10.6 million and RMB8.8 million respectively as at 30 June 2007.

11. Movement in reserves

	Share premium RMB'000	Special reserve RMB'000	Capital reserve RMB'000	Property revaluation reserve RMB'000	Statutory surplus fund RMB'000	Statutory public welfare fund RMB'000	Statutory reserve fund RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2006	365,331	(6,692)	57,840	–	25,143	16,794	44,209	(2,661)	280,492	780,456
Exchange difference arising on translation of foreign operations recognised directly in equity	–	–	–	–	–	–	–	(45)	–	(45)
Issue of new shares	276,560	–	–	–	–	–	–	–	–	276,560
Profit attributable to equity holders of the Company	–	–	–	–	–	–	–	–	71,039	71,039
Dividend paid	–	–	–	–	–	–	–	–	(38,464)	(38,464)
At 30 June 2006	641,891	(6,692)	57,840	–	25,143	16,794	44,209	(2,706)	313,067	1,089,546
At 1 January 2007	**646,363**	**(6,692)**	**57,840**	**2,985**	**30,250**	**20,121**	**49,203**	**(12,055)**	**344,415**	**1,132,430**
Exchange difference arising on translation of foreign operations recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,138)**	**–**	**(4,138)**
Profit attributable to equity holders of the Company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**97,463**	**97,463**
At 30 June 2007	**646,363**	**(6,692)**	**57,840**	**2,985**	**30,250**	**20,121**	**49,203**	**(16,193)**	**441,878**	**1,225,755**

SEGMENT INFORMATION

(a) Business segments

For management purposes, the Group is currently organized into the following operating divisions – installation of fire prevention and fighting systems, production and sale of fire engines, fire prevention and fighting equipment, provision of maintenance services, and trading of fire engines and fire fighting and rescue equipment. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is as follows:

	Installation of fire prevention and fighting systems *RMB'000*	Production and sale of fire engines, fire prevention and fighting equipment *RMB'000*	Provision of maintenance services *RMB'000*	Trading of fire engines, and fire fighting and rescue equipment *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
For the six months ended 30 June 2007						
TURNOVER						
External sales	206,313	212,246	58,372	38,385	–	515,316
Inter-segment sales	–	29,819	–	–	(29,819)	–
Total	206,313	242,065	58,372	38,385	(29,819)	515,316

Inter-segment sales were charged at cost-plus basis.

RESULTS						
Segment results	45,649	26,564	43,442	1,584	–	117,239
Unallocated income						13,285
Unallocated corporate expenses						(4,712)
Finance costs						(2,160)
Profit before taxation						123,652
Taxation						(29,260)
Profit for the period						94,392

	Installation of fire prevention and fighting systems *RMB'000*	Production and sale of fire engines, fire prevention and fighting equipment *RMB'000*	Provision of maintenance services *RMB'000*	Trading of fire engines, and fire fighting and rescue equipment *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
For the six months ended 30 June 2006						
TURNOVER						
External sales	213,208	186,100	39,331	1,505	–	440,144
Inter-segment sales	–	16,888	–	–	(16,888)	–
Total	213,208	202,988	39,331	1,505	(16,888)	440,144

Inter-segment sales were charged at cost-plus basis.

RESULTS						
Segment results	44,921	34,515	21,613	(3,369)	–	97,680
Unallocated income						4,651
Unallocated corporate expenses						(6,476)
Finance costs						(1,083)
Profit before taxation						94,772
Taxation						(25,250)
Profit for the period						69,522

(b) Geographical segments

No geographical segment information in respect of the Group's operations has been presented as over 90% of the Group's turnover was derived from the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the six months and three months ended 30 June 2007, the Group's revenue grew 17% and 59% to RMB515 million and RMB317 million respectively, while profit increased 36% and 146% to RMB94 million and RMB68 million, as compared to the corresponding periods last year. An analysis of the results for the period by business segment is as follows:

Installation of fire prevention and fighting systems

Operating profit from installation of fire prevention and fighting systems for the six months ended 30 June 2007 rose 2% to RMB46 million although revenue dropped 3% drop to RMB206 million.

Property markets in China continuing doing well was the main reason for the stable development of the Group's installation services segment. In spite of the decrease in revenue, which was attributable to the fall in sales of branch offices, profit margin of the segment increased. Instead of bidding contracts at a very low price to gain market share, during the period, branch offices adjusted bidding prices upwards to improve their operating results which unfortunately caused a decrease in sales. Nevertheless, the decrease in their revenue contribution has consequently caused the rise in the overall profit margin. Besides, variations in profit margins of each individual projects, depending on their complexity of works involved and sizes, have also caused the higher profit margin reported for the period as compared to last year.

Production and sale of fire engines, fire prevention and fighting equipment

Revenue from production and sale of fire engines and fire prevention and fighting equipment for the six months ended 30 June 2007 increased 14% to RMB212 million while operating profit decreased 23% to RMB27 million.

The increase in revenue was partly due to the contribution of the new joint venture with the Shanghai Fire Research Institute of the Ministry of Public Security, which commenced operation in January 2007 specializing in the development and production of special large-scale industrial fire protection equipment. Besides, the launching of newly developed products including the digitized image fire monitors and the increase in demand for locally manufactured fire engines, all boosted revenue of the segment. Notwithstanding this, the effect of price reduction of the Group's electronic fire protection equipment including emergency lightings and detection and alarm systems since June 2006; the surging in steel prices (which make up a large part of the production costs of fire engines and fire fighting equipment) and other materials costs; and expenditure incurred for developing new products and markets, have all led to the decline in profit of the segment.

Provision of fire prevention and fighting system maintenance services

Revenue and operating profit from provision of fire prevention and fighting system maintenance services for the six months ended 30 June 2007 were RMB58 million and RMB43 million respectively, grew by 48% and 101% over that of the corresponding period in 2006.

As explained previously, performance of the Group's maintenance services sector is subject to certain level of volatility because property owners usually conduct maintenance works on their fire protection systems and equipment on special occasions or only when needed (such as when subject to examinations of relevant authorities). During the period under review, contracts obtained by the Group were of comparatively larger size as compared to last year and therefore resulted in the marked growth in revenue.

As part of the Group's restructuring of its network monitoring business, the Group disposed three of its non-wholly owned subsidiaries engaged in the provision of network monitoring services in May 2007, at a gain of RMB9.4 million. For the period under review, the network monitoring business has incurred an operating loss of RMB6.8 million, of which RMB3 million was brought by the disposed subsidiaries. The accumulated losses of the subsidiaries concerned were approximately RMB15 million at the date of disposal. In view of the unknown schedule of promulgation of national standards for the network monitoring system, the Group decided to streamline the structure of the business by discarding the non-performing subsidiaries and focus on those with high potentials, particularly those in cities in which compulsory installation of the network monitoring system have been or about to be ordered by the fire authorities. After the disposal, the Group has ten operating centres in different part of China and has planned to build eight more centres in the coming periods. Without an established national standard, support from and recognition by the local fire brigades has become the utmost important factor for the successful launching of the network monitoring system. Therefore, instead of rushing to set up centres in all major cities, the Group now carefully selects places for establishing centres based on market size evaluation as well as attitude of the local fire authorities towards the system so as to ensure the most effective use of resources.

Trading of fire engines, and fire fighting and rescue equipment
Revenue from trading of fire engines, fire fighting and rescue equipment for the six months ended 30 June 2007 was RMB38 million, 25 times of that of last year. Operating results for the period turned around to a profit of RMB1.6 million. As the 3C certificates issue is resolving, ten of the backlogged fire engines were delivered and revenue of RMB32 million were recognized during the period. As at 30 June 2007, the Group has on hand orders of 39 imported fire engines of approximately RMB139 million, which are to be delivered in 2007 and 2008.

Financial resources, liquidity, contingent liabilities and pledge of assets
The Group's cash and bank balances at 30 June 2007 was approximately RMB608 million (31 December 2006: RMB667 million) of which RMB24 million (31 December 2006: RMB24 million) were pledged to secure banking facilities granted to the Group. Outstanding bank borrowings as at period end date were approximately RMB57 million, of which RMB7 million were bank overdrafts drawn and the remaining RMB50 million were short term bank loans. The overdrafts were part of the banking facilities granted to a subsidiary of the Group, which together with certain trade facilities (letter of credit and trust receipt loans), are secured by the Group's bank deposits of approximately RMB24 million and/or certain personal assets and/or guarantee of a minority shareholder. The short term loans were granted to another subsidiary with certain leasehold land and buildings of the Group with carrying values of RMB10.6 million and RMB8.8 million respectively as at 30 June 2007 pledged as security. Save as disclosed herein, there were no other charges on the assets of the Group as at 30 June 2007.

The decrease in cash balances was mainly attributable to the outflow in relation to the construction of the new factory in Chengdu and the lengthening receivables collection period. The increase in aged receivables was mainly due to: (1) competition that forced the Group to give its customers more generous credit terms and (2) the postponement and slowing down in clearance by many land developers in Fujian recently. As fire safety systems installation is generally a subcontract of a land development contract, its settlement is subject to the completion of progress and final clearance of the entire construction, hence, the delay in clearance has caused the deterioration of Group's accounts receivables balances and adversely affected the Group's cash flow.

As at 30 June 2007, current assets and current liabilities of the Group were approximately RMB1,353 million (31 December 2006: RMB1,211 million) and RMB321 million (31 December 2006: RMB280 million) respectively. The current ratio was approximately 4.2 times (31 December 2006: 4.3 times). The Group has a minimal gearing ratio as its long-term interest bearing liabilities as at year end date was less than RMB0.1 million in comparison with the Group's total equity of RMB1,281 million.

Renminbi is the reporting currency of the Group. Majority of the Group's assets, liabilities, sales and purchases are primarily denominated in Renminbi and Hong Kong dollar. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The Group had no material contingent liabilities as at 30 June 2007.

Investments and capital commitments

The Group had the following acquisition, disposals and capital commitments during the period under review:

Acquisition

The Group acquired the controlling shareholding of an emergency lightings manufacturing company in Shenzhen, named Shenzhen Hocen Emergency Lightings Co., Ltd ("Shenzhen Hocen") (深圳市恆生照明有限公司), at a consideration of RMB1,500,000. Shenzhen Hocen has been operating in Guangdong for almost 20 years. The acquisition allowed the Group to have a quick access to one of the most prosperous and developed markets in China in which it had had limited presence.

Disposals

As explained in "Provision of fire prevention and fighting system maintenance services" under the "Business Review" section above, the Group sold all its equity interests in three of its non-wholly owned subsidiaries engaged in the provision of network monitoring services at a consideration of RMB30,900,000. The subsidiaries had accumulated losses of approximately RMB15 million at the date of disposal and the sale generated the Group a gain of approximately RMB9.4 million.

Capital commitment
As at 30 June 2007, the Group has capital commitment of approximately RMB309 million in relation to the construction of the new factory in Chengdu.

Save as disclosed herein, the Group has no significant investment, capital commitments or material acquisitions and disposal of subsidiaries as at or during the six months ended 30 June 2007.

Employees and remuneration policies
As at 30 June 2007, the Group had approximately 1,509 full-time employees (2006: 1,438). Staff costs, excluding directors' remuneration, for the six months ended 30 June 2007 amounted to approximately RMB24 million (2006: RMB24 million). All full-time employees are entitled to medical contributions, provident funds and retirement plans. In addition, bonuses are rewarded to those staff with outstanding performances. Staff performance evaluations are carried out regularly as a means of communication between the management and the staff for performance improvement. The Group provides comprehensive in-house and on-the-job training to staff to keep their technical skills and standards up to date for quality services and to enhance work safety.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN THE COMPANY'S SECURITIES

Save as disclosed below, as of 30 June 2007, none of the Directors or chief executive had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO to be entered in the register required to be kept therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Long positions in ordinary shares of the Company

Name of Director	Capacity and types of interest	Number of issued shares of HK$0.01 each of the Company held	Percentage of issued share capital of the Company
Mr. Jiang Xiong (“**Mr. Jiang**”)	Beneficial owner *(Note 1)*	981,600,000	63.28% *(Note 3)*
	Deemed Interest *(Note 2)*	825,000,000	
Mr. Jiang Qing	Beneficial owner	7,500,000	0.26%

Note:

1. Mr. Jiang Xiong (“**Mr. Jiang**”) is beneficially interested in 981,600,000 Shares. By virtue of the option agreement entered into between Mr. Jiang and UTFE (the “**Option Agreement**”), he and UTFE are parties to the agreement under section 317 of the SFO. Under the SFO, Mr. Jiang is deemed to have a long position in the 825,000,000 shares owned by UTFE.

2. Mr. Jiang has a short position in the shares to be sold under the Option Agreement. On the other hand, UTFE has a long position in the option shares under the Option Agreement and therefore Mr. Jiang is deemed to have a long position in the option shares in its capacity as a party to the Option Agreement to which Section 317(1)(a) of the SFO applies.

3. The percentage figure as stated is calculated without taking into account the deemed long position in the shares to be sold under the Option Agreement.

Short positions in ordinary shares of the Company

Pursuant to the Option Agreement, Mr. Jiang grants an option (the “**Option**”) to UTFE which when exercised, will require Mr. Jiang to sell to UTFE the lower of:

a. such number of shares as are required to be sold by Mr. Jiang to UTFE to enable UTFE to beneficially hold, in addition to any other shares of the Company held by UTFE at the relevant time, in aggregate, 51% of the voting rights of the Company immediately following completion of the exercise of the Option under the Option Agreement; and

b. all the shares held by Mr. Jiang at the time when UTFE exercises the Option.

Mr. Jiang has a short position in the shares to be sold (as held by UTFE) under the Option Agreement.

Details of the Option Agreement are set out in the Company's announcement and circular dated 2 February 2005 and 10 March 2005 respectively.

Options to subscribe for ordinary shares in the Company

Grantee	Date of grant	No. of shares issuable under the options granted	Exercise period	Exercise price *(HK$)*	No. of shares issuable under the options granted as at 1 January and 30 June 2007	Percentage of issued share capital of the Company
Mr. Jiang Qing	25 May 2004	20,000,000	25 May 2004 – 24 May 2014	0.44 *(Note)*	20,000,000	0.70%

Note: The closing price of shares of the Company immediately before the date on which the option was granted was HK$0.465. All options granted are vested on the date of acceptance, i.e. 25 May 2004.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shown that other than the interests disclosed above in respect of certain directors, the following shareholders have notified the Company of their relevant interests in the issued share capital of the Company.

Long positions in ordinary shares of the Company

Name of shareholder	Capacity and type of interest	Number of issued share of HKD0.01 each of the Company held	Percentage of issued capital of the Company
UTFE	Beneficial owner	825,000,000	63.28%
	Deemed Interest *(Note 1)*	981,600,000	*(Note 2)*
Otis Elevator Company	Interest of a controlled corporation *(Note 3)*	1,806,600,000	63.28%
Carrier Corporation	Interest of a controlled corporation *(Note 4)*	1,806,600,000	63.28%
United Technologies Corporation	Interest of a controlled corporation *(Note 5)*	1,806,600,000	63.28%
Deutsche Bank Aktiengesellschaft	Beneficial owner	206,296,000	7.23%

Note:

1. By virtue of the Option Agreement, Mr. Jiang and UTFE are parties to the agreement under section 317 of the SFO. Under the SFO, UTFE is deemed to have a long position in the 981,600,000 shares held by Mr. Jiang.

2. UTFE has a long position in the shares to be sold under the Option Agreement. Pursuant to the Option Agreement, Mr. Jiang grants the option to UTFE which when exercised, will require Mr. Jiang to sell to UTFE the lower of: (a) such number of shares as are required to be sold by Mr. Jiang to UTFE to enable UTFE to beneficially hold, in addition to any other shares held by UTFE at the relevant time, in aggregate, 51% of the voting rights of the Company immediately following completion of the exercise of the option under the Option Agreement; and (b) all the shares held by Mr. Jiang at the time when UTFE exercises the option. The percentage figure as stated is calculated without taking into account the long position in the shares to be sold under the Option Agreement.

3. Otis Elevator Company is beneficially interested in 50.9% of the issued share capital of UTFE and is deemed or taken to be interested in the 1,806,600,000 shares in which UTFE has declared an interest for the purpose of the SFO.

4. Carrier Corporation is beneficially interested in 49.1% of the issued share capital of UTFE and is deemed or taken to be interested in the 1,806,600,000 shares in which UTFE has declared an interest for the purpose of the SFO.

5. United Technologies Corporation is beneficially interested in the entire share capital of Otis Elevator Company and Carrier Corporation and is deemed or taken to be interested in the 1,806,600,000 shares in which Otis Elevator Company and Carrier Corporation have declared interest for the purpose of the SFO.

Short positions in ordinary shares of the Company

UTFE has a long position in the option shares under the Option Agreement. On the other hand, Mr. Jiang has a short position, and therefore UTFE is deemed to have a short position in the shares to be sold (as held by Mr. Jiang) under the Option Agreement pursuant to section 317 of the SFO.

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 30 June 2007.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the businesses of the Group or has any other conflicts of interest, which any such person has or may have with the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 30 June 2007, neither the Company nor any of its subsidiaries purchased, cancelled or redeemed any listed securities of the Company. Save the issue of shares pursuant to the Subscription Agreement, the Company has not sold any listed securities of the Company.

CORPORATE GOVERNANCE

Corporate governance practices

Throughout the period ended 30 June 2007, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules, except that:

1. There were no fixed terms of appointment for the non-executive directors although they are subject to retirement by rotation according to the Company's articles of association. The Board is of the opinion that this serves the same objectives of the relevant provision.

2. No nomination committee has been set up. The appointment of new director(s) is therefore a matter for consideration and decision by the full Board.

Directors' securities transactions

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

Audit committee

The audit committee comprises three independent non-executive Directors, namely Mr. Heng Kwoo Seng, Dr. Loke Yu and Mr. Sun Jian Guo. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The Group's results for the period have been reviewed by the audit committee.

By order of the Board
China Fire Safety Enterprise Group Holdings Limited
Jiang Xiong
Chairman

As at the date of this report, the Company's Executive Directors are Mr. Jiang Xiong, Mr. Jiang Qing, Mr. Shi Jia Hao and Mr. Wang De Feng, Ms. Weng Xiu Xia and Ms. Zhang Hai Yan; the Non-Executive Directors are Mr. Paul Winnowski, Ms. Xi Zhengzheng and Mr. Harinath Krishnamurthy (alternate Director to Mr. Paul Winnowski); and the Independent Non-Executive Directors are Mr. Heng Kwoo Seng, Dr. Loke Yu and Mr. Sun Jian Guo.

Hong Kong, 13 August 2007